

Message Text

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44

ACTION EUR-25

INFO OCT-01 ISO-00 SAJ-01 OMB-01 NIC-01 ACDA-19 CIAE-00

DODE-00 PM-07 H-03 INR-10 L-03 NSAE-00 NSC-10 PA-04

RSC-01 PRS-01 SPC-03 SS-20 USIA-15 EB-11 COME-00

INT-08 SCEM-02 SCI-06 TRSE-00 CIEP-02 DRC-01 /155 W

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R 201430Z DEC 73

FM AMEMBASSY MOSCOW

TO SECSTATE WASHDC 4770

INFO AMEMBASSY BELGRADE

USEC BRUSSELS 508

AMEMBASSY BUCHAREST

AMEMBASSY BUDAPEST

USMISSION NATO

AMCONSUL MUNICH

AMEMBASSY PRAGUE

AMEMBASSY SOFIA

AMEMBASSY WARSAW

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E.O. 11652: N/A

TAGS: ENRG UR

SUBJECT: RUMORED PRICE RISES FOR PETROLEUM PRODUCTS IN USSR

1. AIR INDIA REP TOLD EMBOFF DEC 19 THAT SOVIETS HAVE
RAISED JET FUEL PRICES BY 75 PERCENT RETROACTIVE TO OCTOBER
1. PANAM REP HAS NOT HEARD THIS REPORT BUT STATED HE WOULD
NOT NECESSARILY HAVE BEEN INFORMED SINCE MOSCOW PANAM OFFICE
DOES NOT HANDLE PAYMENTS FOR LOCAL CHARGES. EMBASSY SEEKING
CONFIRMATION FROM OTHER AIRLINE REPS.

2. SAME SOURCE WHO INFORMED AIR INDIA OF JET FUEL PRICE
RISE ALSO STATED THAT PRICE OF FUEL FOR PASSENGER CARS WILL
BE INCREASED BY 75 PERCENT AS OF JANUARY 1, 1974. THIS
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WOULD RAISE PUMP PRICE FOR 95 OCTANE GASOLINE TO 17.5 KOPECKS

PER LITER AND 93 OCTANE TO 16.5 KOPECKS/LITER (ONE KOPECK EQUALS 1.35 CENTS).

3. COMMENT: JET FUEL PRICE INCREASE, IF TRUE, PRESUMABLY REACTION TO WORLDWIDE OIL SHORTAGE AND FACT THAT MANY AIR-LINES CURRENTLY TAKING ON MORE FUEL THAN NECESSARY AT MOSCOW TO COMPENSATE FOR DIMINISHED SUPPLIES ELSEWHERE. FURTHER, IN CURRENT SUPPLY/DEMAND SITUATION SOVIETS UNDOUBTEDLY SEE SITUATION AS OPPORTUNITY FOR INCREASING HARD CURRENCY EARNINGS.

4. ALLEGED FORTHCOMING INCREASE IN PRICES OF AUTOMOTIVE GASOLINE WOULD PRESUMABLY BE APPLIED ONLY TO PRIVATE VEHICLE OWNERS; OTHERWISE, SITUATION WOULD BE ONE OF ROBBING PETER TO PAY PAUL, UNLESS GOVERNMENT HAS DECIDED TO USE THIS MEASURE TO INCREASE REVENUES FOR INVESTMENT IN PETROLEUM EXTRACTION AND REFINING SECTOR AT EXPENSE OF OTHER AREAS OF ECONOMY. IF INDEED ONLY APPLIED TO PRIVATELY-OWNED AUTOS (DRIVERS OF OFFICIAL VEHICLES DO NOT PAY CASH AT GAS STATIONS), WE SEE TWO POSSIBLE CAUSES:

- 1) DESIRE TO DAMPEN DEMAND IN VIEW OF RAPIDLY RISING VEHICLE POPULATION VIS-A-VIS LAGGING SUPPLY SITUATION; OR
- 2) RECOGNITION THAT HERE IS ANOTHER AREA OF OPPORTUNITY FOR EXTRACTING MONEY HELD IN PRIVATE HANDS AND THUS STIMULATING TURNOVER NEEDED TO COMBAT LATENT INFLATIONARY TENDENCIES IN ECONOMY.

5. IN ANY CASE, EMBASSY WILL CLOSELY FOLLOW QUESTION OF POSSIBLE PRICE RISES IN THIS SECTOR AND REPORT FURTHER DEVELOPMENTS.SOMMERLATTE

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